




**MEMORANDUM  
OFFICE OF THE MAYOR**

---

**DATE:** September 6, 2005

**TO:** Honorable Chairman Joe A. Martinez  
and Members, Board of County Commissioners

**FROM:**   
Carlos Alvarez, Mayor  
Miami-Dade County

**SUBJECT:** Proposed FY2005-06 Budget - Water and Sewer Department

---

As I stated in my 2006 Budget Message, I am concerned with the Water and Sewer Department's (WASD's) financial situation. The latest financial forecasts have reported that WASD's bond rating may be in jeopardy because the department is depleting its reserves and has insufficient revenue streams to cover the system's financial requirements. The Fiscal Year 2005-2006 (FY05-06) budget must address this revenue shortfall.

The Water and Sewer Department must be commended for implementing cost controls and identifying cost efficiencies that have allowed it to keep its retail rates stable for the past several years, except for an increase in FY03-04. In fact, the department absorbed a 10% rate decrease three years ago, just as their debt service requirements had substantially increased due to consent decree obligations and the Equity Return Payment to the General Fund increased 31.8% (\$7.938 million) that year. Furthermore, WASD is presently operating within a revenue budget roughly equal to that of FY95-96 (\$361 million). For almost ten years (FY94-95 to FY 02-03), the number of budgeted positions has remained the same (2,525) while the number of water and wastewater retail customers served has increased over 18% and 23%, respectively. In the current year, additional positions were allocated for the implementation of the department's capital improvement plan, only to be largely eliminated in the current proposed budget.

The gravity of WASD's current situation cannot be denied. The department no longer has the luxury of balancing its budget through reserve accounts and reliance on one-time revenues. Independent bond engineers have testified to the dire need for investment in the utility's capital infrastructure. The department may even be forced to sell its new Douglas Road building and lease it back. I am disappointed that we had the opportunity to utilize Building Better Communities General Obligation Bond (GOB) program funding for high-priority maintenance of WASD's existing infrastructure, but instead the GOB funding is being used for targeted infrastructure improvements, such as replacement of septic tanks.

The Manager's preliminary proposal would result in an 8.9% increase to the average retail customer, while reducing the department's annual Equity Transfer to the General Fund by 12.2% (or \$3.358 million) and totally eliminating the transfer by the end of FY05-06. The retail

Honorable Chairman Joe A. Martinez  
and Members, Board of County Commissioners  
September 6, 2005  
Page 2

rates would also be tied to a national Water and Sewerage Maintenance Index so that rates would automatically be adjusted each year. I urge you to support a course of action for addressing the rate structure in the longer term, not every budget cycle. We further must continue to support gainsharing programs and other innovative methods to empower employees, save money, and improve productivity.

I cannot be supportive of a rate increase because I do not believe that rates should be increased when the department is still being required to make a \$24.343 million payment to the County's General Fund in FY05-06. The proposed revised rate structure is expected to generate revenues of \$61.539 million (\$58.462 million, budgeted at 95% in accordance with state law), and the equity payment represents approximately 40% of that amount. We cannot continue to require a department to compromise its ability to provide services in order to subsidize the General Fund, especially when WASD already makes payments to departments for services received, in addition to the transfer. This is simply not good public policy. Similar to my reasoning for vetoing the People's Transportation Plan amendment, we should not be charging higher rates to make up for historical under-funding of the department. I expect the Manager to closely monitor WASD's budget and make realistic projections in order to justify future rate adjustments required for the fiscal integrity of the utility.

We must be sensitive to our residents who are experiencing financial hardships related to increases in housing costs, property insurance, electricity, gas, etc, over which the County has little or no ability to control. I trust that you will adopt the most appropriate and equitable rates.

c: Honorable Harvey Ruvin, Clerk of Courts  
George M. Burgess, County Manager  
Murray A. Greenberg, County Attorney  
Kay Sullivan, Director, Clerk of the Board  
Charles Anderson, Commission Auditor